



Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
980 Ninth Street, Suite 500
Sacramento, CA 95814-2725
(916) 323-0435 -Phone
(916) 323-0438 -Fax
enforcement@dmhc.ca.gov

July 23, 2007

SENT VIA U.S. MAIL

Stephen O'Dell
President and Chief Executive Officer
Molina Healthcare of California
One Golden Shore Drive
Long Beach, California 90802

**RE: Molina Healthcare of California
Enforcement Matter No. 06-115**

RECEIVED
DEPT OF
MANAGED HEALTH CARE
ACCOUNTING OFFICE
2007 AUG -3 PM 1:31

LETTER OF AGREEMENT

Dear Mr. O'Dell:

The Department of Managed Health Care (hereinafter "the Department") has concluded its investigation of Molina Healthcare of California, Inc. (hereinafter "Molina" or "the Plan") in the above referenced matter. The focus of the investigation was Molina's failure to comply with Health and Safety Code §§1371, 1371.35, and California Code of Regulations, title 28, §§1300.71 and 1300.71.38(q), which require the Plan pay interest and penalties for late payment of claims. Molina also failed to comply with §§1300.71(b)(2)(A) and (B) (forward misdirected claims within ten (10) working days.), §1300.71(a)(8)(B) (Plan fails to forward at least ninety five percent (95%) of misdirected claims within ten (10) working days over a three (3) month period is defined as an "unjust payment pattern"), §1300.71.38(e)(2) (issue a provider dispute acknowledgement letter within fifteen (15) working days), and §1300.71.38(f) (issue a written determination stating the pertinent facts and explaining the reasons for its determination within forty five (45) working days).

The failure to pay interest and penalties on late claim payments, in accordance with §§1371 and 1371.35, were cited as violations in the prior examination report, Final

Report of Routine Examination, issued August 26, 2003. The Department also determined that the Plan failed to send acknowledgement letters within the required twenty one (21) calendar days for forty eight percent (48%) of the disputes reviewed, and failed to send determination letters within the required sixty four (64) calendar days for seventy five percent (75%) of the disputes reviewed. Additionally, this resulted in the Plan not complying with its own Policy and Procedure No. CP-02, revised August 2004.

The Plan failed to forward twenty six percent (26%) of misdirected claims within ten (10) working days. The Department determined that the Plan received thirty three thousand four hundred fifty four (33,454) misdirected claims during the relevant time period. Further evaluation of the data disclosed that eight thousand seven hundred two (8,702) of the misdirected claims were not forwarded within ten (10) working days.

The Department, pursuant to its authority under Health and Safety Code §1386, has assessed an administrative penalty against Molina in the amount of \$75,000 for these violations. Molina has agreed to pay the assessed penalty.

Cordially,



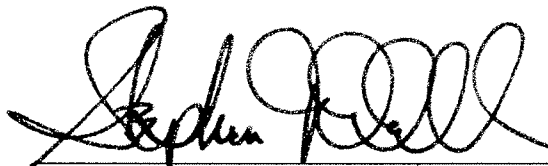
Amy L. Dobberteen
Assistant Deputy Director
Office of Enforcement

DLD:mrr

2007 AUG - 3 PM 1:32
DEPT OF
MANAGED HEALTH CARE
ACCOUNTING OFFICE

ACCEPTED BY MOLINA HEALTHCARE OF CALIFORNIA

DATE: August 2, 2007



Stephen O'Dell
President and Chief Executive Officer
Molina Healthcare of California